WEEKLY ECONOMIC REVIEW

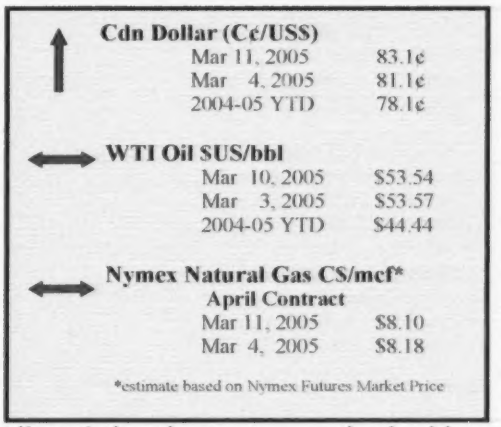
MARCH 11, 2005

The U.S. merchandise trade deficit widened to $58.3 billion in January (from $56 billion in December). Market concerns with the large U.S. trade and current account deficits weighed on the U.S. dollar throughout the week, leading to a depreciation of the greenback against several major currencies.

Against a backdrop of U.S. dollar weakness, the Canadian dollar rose sharply, reaching an 8-week high of over 83 cents. The loonie received further support from the recent strength in global commodity prices.

Canada's merchandise trade surplus declined to $4 billion in January, due to lower energy prices that month, as well as strong growth in imports. Excluding energy products, exports increased by 0.8%, suggesting a stabilization of Canada's (recently weak) export performance.

Canadian employment rose by 26,600 in February, although gains were concentrated in the public sector. The Alberta economy added 1,800 jobs, lowering the province's Canada-best unemployment rate to 4.2%.



Alberta's housing sector remains healthy, with February housing starts running at an annual pace of almost 35,000, close to the level recorded in 2004 (36,270). The outlook for the construction sector also remains strong, as the value of Alberta building permits rose by 12.2% in January.

Energy markets wrestled with mixed signals this week. A bullish forecast for global oil demand from the International Energy Agency (IEA) was offset by a report that China's oil imports fell 13% in the first two months of 2005.

Economic Indicators Released this Week	Reference Period	Month/Previous Month (M/M)	Month/Previous Year's Month (Y/Y)	Year-to-date[1]
Canadian International Merchandise Trade ($ millions)	January			
Exports	35,884	-1.6%	11.3%	N/a
Imports	31,878	1.9%	16.9%	N/a
Trade Balance	4,006	-23.1%	-19.6%	N/a
Housing Starts (SAAR)[2]	February			
Alberta	34,700	12.7%	-9.6%	-8.5%
Canada	214,900	5.3%	-2.9%	-0.7%
Building Permits ($ millions)	January			
Alberta	742.6	12.2%	56.3%	N/a
Canada	4,462.6	-11.0%	8.8%	N/a
Employment	February	Gain/Loss from Previous Month (#)	Month/Previous Year's Month (Y/Y)	Y/Y (% change)
Alberta		+1,800	+29,900	1.7%
Canada		+26,600	+243,200	1.6%

Source: Statistics Canada, Canada Mortgage and Housing Corporation

[1] *Year-to-date 2005 compared to the same time period in 2004. For example: January-February 2005 versus January-February 2004*

[2] *Seasonally Adjusted at Annual Rates*